WRITTEN ANSWERS TO STARRED QUESTIONS

Report on improvement of banking system

*221. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether Government have received any study report for improving the Nationalised banking system in the country;

(b) if so, the details thereof and indicating the salient features thereof;

(c) whether this report has suggested any measures for reducing interest rates of Nationalised banks; and

(d) if so, the details thereof and Government's reaction thereto?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (d) No, Sir. No Committee/Working Group has been set-up by the Government in the recent past specifically for suggesting measures to improve the nationalised banking system in the country. However, to improve the health of the banking sector in India in general and that of Public Sector Banks in particular and also to bring it at par with the international standards, the Reserve Bank of India has prescribed measures for strengthening of prudential supervision coupled with wide ranging steps undertaken by the Government. After initiation of reforms in early 1990s, financial performance of the banking sector in general and public sector banks in particular, has improved significantly. Balance sheet and profitability indicators *viz.* Return on Assets, Net Interest Margin, NPA Ratios Provisioning and Classification norms for NPAs, Capital Adequacy Ratio etc. suggest that the Indian banking sector now compares well with global benchmarks. To facilitate quick and efficient decision-making and to provide Bank Boards sufficient managerial autonomy to be able to compete internationally, Government has announced an Autonomy Package on 22.02.2005 for the public sector banks.

Loans to small workers

†*222. SHRI MOTILAL VORA: Will the Minister of FINANCE be pleased to state:

(a) whether he has asked all the banks to provide loans to ten small workers every year at nominal rate of interest;

(b) if so, the steps taken by Government to ensure that such loans are provided by banks;

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†Original notice of the question was received in Hindi.

(c) whether Government would introduce credit card scheme for small workers and poor people living in rural area also; and

(d) if so, by when and the details thereof?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) No such specific instruction has been issued. However, under the Differential Rate of Interest Scheme, the domestic scheduled commercial banks are required to lend 1% of their aggregate advances as at the end of the previous year to eligible borrowers at a rate of interest of 4% per annum. Further, these banks are required to lend 10% of their Net Bank Credit (NBC) to weaker sections, within the overall priority sector lending target.

(c) and (d) Artisan Credit Card (ACC) for artisans, Laghu Udyami Credit Card (LUCC) Scheme for small businessmen/retail traders/artisans etc. and Swarojgar Credit Card (SCC) Scheme for artisans/handloom weavers/self-employed persons, etc. have been introduced earlier by the Government. The Reserve Bank of India has also recently introduced a General Credit Card (GCC) Scheme for rural and semi urban areas. The objective of the Scheme is to provide hassle-free credit upto Rs. 25000/- to eligible borrowers, especially women.

Lending to SSI Sector

*223. SHRI MOOLCHAND MEENA:
SHRI SANTOSH BAGRODIA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that priority sector lending is a profitable business for the banks in terms of returns on the credit and interest subsidies to the Banks;

(b) if so, whether it is also a fact that the credit to the priority SSI sector has not risen with the same rate as that of the net bank credit of the Nationalised Banks despite this sector offering good business opportunity; and

(c) what steps are being taken to encourage the banks to lend to the SSI sector at a commensurate annual rate of growth in NBC?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) Banks do earn profits on their lending to the priority sector.